The focus of the global aviation industry will be on Singapore this week. It is a time of great uncertainty. IATA’s outlook is for anemic industry profitability. At best we expect the year to bring a 0.6% profit margin. That is $3.5 billion shared across an industry that generates over $600 billion in revenue. Even that small profit is dependent upon Europe finding a durable solution to its sovereign debt crisis. Should that not happen and the continent falls into recession, the airline industry could see its biggest losses since 2008.

It is also a time of great contrasts. Despite the economic malaise, people are still flying—and doing so in increasing numbers. Passenger demand grew 6% in 2011 over previous year levels. For some airlines, that translated into profits. For others, demand increases were still not enough to keep revenues ahead of costs. And the recent bankruptcies of Malev and Spanair show just how difficult the situation is for some airlines—particularly in Europe.

Asia-Pacific is the focus for growth. In 2010, about a third of all passengers travelled on routes to, from or within Asia-Pacific. That was relatively balanced with the size of North American and European markets. But look ahead just to 2015 and it is clear that the industry’s center of gravity is shifting eastward. By then, routes associated with Asia-Pacific are expected to account for 37% of all passengers, ahead of the 29% associated with both Europe and North America.

Why the difference in prospects? To start, China is an engine of growth propelling Asia-Pacific forward. But the region is also home to many enlightened policy-makers who understand the importance of a successful aviation sector to the growth of their economies. Singapore is a good example, with policies that have served to facilitate both world-class infrastructure and airlines. The impact is 119,000 jobs and a 5.4% contribution to Singapore’s GDP.

Not all governments have the same success at capturing aviation’s economic benefits. India, for example is crippling the potential of its industry with bureaucracy, high taxes and inadequate infrastructure. The latest blow is the proposal to increase Delhi Airport’s charges by 340%. If applied, such an increase would make Delhi one of the most expensive airports in the world—destroying the competitiveness of recent investments that created the first possibility for an Indian hub airport. And this comes on top of a disadvantageous tax regime. For example, fuel taxes help to increase Indian carriers’ fuel bills to as much as 45% of their total costs – well above a global average of around 30%. If we resolve these issues, the potential of Indian aviation would be much greater than its current 1.7 million jobs and 0.5% contribution to GDP.
In the face of such uncertainty and contrasts, airlines are managing their businesses very tightly. The near-term focus is on conserving cash, controlling costs, and matching capacity to demand. Of course, we will be expecting our business partners to do the same.

Nevertheless, this urgent short-term action should not come at the expense of a long-term vision and leadership. In 2011, 2.8 billion people flew and 31 million metric tons of cargo was transported internationally by air. In five years we expect these numbers to grow by 700 million people and 6 million metric tons of cargo. The connectivity that this implies will drive global growth—carrying people to business, travelers to leisure destinations and products to markets.

A safe, secure, efficient and sustainable aviation sector generates wealth—material and of the human spirit. To ensure this vital role, coordination among industry stakeholders and government is critical. That is the focus of the dialogue at the Singapore Airshow Aviation Leadership Summit today.